

EXPLANATION OF HIRING TAX CREDIT

A business located in the Long Beach Enterprise Zone may reduce its state income tax by a percentage of the wages paid to one or more qualified employees. The business has the potential to earn over \$37,400 in state tax credits per qualified employee over a five-year period, providing at least 50% of the employee's work is performed inside the boundaries of the Enterprise Zone.

EXAMPLE:

You hire an employee who is either eligible or enrolled in a qualified job training program. The employee works an entire year at your Enterprise Zone business full time (2,080 hours) at \$12.00 per hour*. Your hiring credit would be calculated as follows:

<u>Year One:</u>	<u>Credit</u>
$(\$12.00 \times 2,080 \text{ hours} = \$24,960) \times 50\%$	$= \$12,480$

Assuming the employee stays with the company at the same rate of pay and works the same number of hours, the available hiring credit would be calculated as follows:

<u>Year Two</u>	<u>Credit</u>
$\$24,960 \times 40\%$	$\$9,984$
<u>Year Three</u>	<u>Credit</u>
$\$24,960 \times 30\%$	$\$7,488$
<u>Year Four</u>	<u>Credit</u>
$\$24,960 \times 20\%$	$\$4,992$
<u>Year Five</u>	<u>Credit</u>
$\$24,960 \times 10\%$	$\$2,496$

Total 5-year Credit = \$37,440

*If an employee earns less than \$12.00 per hour, use the actual hourly wage in the calculation. The Maximum Credit for employers in Long Beach engaged in Aircraft Manufacturing is \$16.16 per hour.